

Amendment No. 1 to HB2645

Vaughan  
Signature of Sponsor

**AMEND Senate Bill No. 2854**

**House Bill No. 2645\***

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Title 48, is amended by adding the following as a new chapter:

**48-250-101. Chapter definitions.**

As used in this chapter:

(1) "Decentralized organization" means a decentralized organization, organized under this chapter;

(2) "Digital asset" means:

(A) An electronic record in which a person has a right or interest;  
and

(B) Does not include an underlying asset or liability unless the asset or liability is itself an electronic record;

(3) "Distributed ledger technology" means a distributed ledger protocol and supporting infrastructure, including blockchain, that uses a distributed, decentralized, shared, and replicated ledger, whether it be public or private, permissioned or permissionless, and that may include the use of electronic currencies or electronic tokens as a medium of electronic exchange;

(4) "Electronic," relating to technology, means having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities;

(5) "Majority of the members" means the approval of more than fifty percent (50%) of participating membership interests in a vote for which a quorum

of members is participating, excluding a person who dissociates from the organization as set forth in § 48-250-112;

(6) "Membership interest" means:

(A) A member's ownership share in a member-managed decentralized organization, which may be defined in the entity's articles of organization, smart contract, or operating agreement; or

(B) A digital asset, if designated as a membership interest in the organization's articles of organization or operating agreement;

(7) "Publicly available identifier" includes, but is not limited to, a URL, contract address, published whitepaper, or other similar item that is available to the public;

(8) "Quorum" means a minimum requirement on the sum of membership interests participating in a vote for that vote to be valid;

(9) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form; and

(10) "Smart contract" means an event-driven computer program, that executes on an electronic, distributed, decentralized, shared, and replicated ledger that is used to automate transactions, including, but not limited to, transactions that:

(A) Take custody over and instruct transfer of assets on that ledger;

(B) Create and distribute electronic assets;

(C) Synchronize information; or

(D) Manage identity and user access to software applications.

**48-250-102. Application of the Tennessee Revised Limited Liability Company Act.**

(a) The Tennessee Revised Limited Liability Company Act, compiled in chapter 249 of this title, applies to decentralized organizations to the extent not inconsistent with this chapter.

(b) This chapter does not repeal or modify a statute or rule that applies to a limited liability company that is organized under the Tennessee Revised Limited Liability Company Act that does not elect to become a decentralized organization.

**48-250-103. Decentralized organization status.**

(a) A decentralized organization is a limited liability company whose articles of organization contain a statement that the company is a decentralized organization as described in subsection (c).

(b) A limited liability company formed under the Tennessee Revised Limited Liability Company Act, compiled in chapter 249 of this title, may convert to a decentralized organization by amending its articles of organization to include the statement described in subsection (c).

(c) A statement in substantially the following form must appear conspicuously in the articles of organization of a decentralized organization:

**NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS**

**The rights of members in a decentralized organization may differ materially from the rights of members in other limited liability companies. The Tennessee Decentralized Organization Supplement, underlying smart contracts, articles of organization, and operating agreement, if applicable, of a decentralized organization may define, reduce, or eliminate fiduciary duties and may restrict the withdrawal or resignation from the decentralized organization, or the transfer of ownership interests, return of capital contributions, or dissolution of the decentralized organization.**

(d) The registered name for a decentralized organization must include wording or abbreviation to denote its status as a decentralized organization, specifically "DO", "DAO", "DO LLC.", or "DAO LLC.".

(e) A statement in the articles of organization may define the decentralized organization as either a member-managed decentralized organization or a smart contract-managed decentralized organization. If the type of decentralized organization is not provided for in the articles of organization, then the limited liability company is presumed to be a member-managed decentralized organization.

#### **48-250-104. Formation.**

(a) A person may form a decentralized organization by having at least one (1) member sign and deliver one (1) original and one (1) exact or conformed copy of the articles of organization to the secretary of state for filing. The person forming the decentralized organization does not need to be a member of the organization.

(b) A decentralized organization must have and continuously maintain in this state a registered agent as provided in § 48-249-109.

(c) A decentralized organization may form and operate for a lawful purpose, regardless of whether for profit.

(d) A smart contract-managed decentralized organization may only form under this chapter if the underlying smart contracts are able to be amended.

#### **48-250-105. Articles of organization.**

(a) The articles of organization of a decentralized organization must:

(1) Include a statement that the organization is a decentralized organization, pursuant to § 48-250-103;

(2) Set forth the matters required by this chapter; and

(3) Include a publicly available identifier of a smart contract directly used to manage, facilitate, or operate the decentralized organization.

(b) Except as otherwise provided in this chapter, the articles of organization and the smart contracts for a decentralized organization govern the following:

- (1) Relations among the members and between the members and the decentralized organization;
- (2) Rights and duties under this chapter of a person in that person's capacity as a member;
- (3) Activities of the decentralized organization and the conduct of those activities;
- (4) Means and conditions for amending the operating agreement;
- (5) Rights and voting rights of members;
- (6) Transferability of membership interests;
- (7) Withdrawal of membership;
- (8) Distributions to members prior to dissolution;
- (9) Amendment of the articles of organization;
- (10) Procedures for amending applicable smart contracts; and
- (11) All other aspects of the decentralized organization.

**48-250-106. Amendment or restatement of articles of organization.**

Articles of organization must be amended when:

- (1) There is a change in the name of the decentralized organization;
- (2) There is a false or erroneous statement in the articles of organization;

or

- (3) The decentralized organization's smart contracts have been amended.

**48-250-107. Operating agreement.**

If the articles of organization or smart contract do not provide for a matter described in § 48-250-105, then the operation of a decentralized organization may be supplemented by an operating agreement.

**48-250-108. Management.**

Unless otherwise provided in the articles of organization or operating agreement, management of a decentralized organization is vested in:

- (1) The organization's members, if member-managed; or
- (2) The smart contract, if smart contract-managed.

**48-250-109. Standards of conduct for members.**

Unless otherwise provided for in the articles of organization or operating agreement, a member of a decentralized organization does not have a fiduciary duty to the organization or another member; except, that the member is subject to the implied contractual covenant of good faith and fair dealing.

**48-250-110. Membership interests for member-managed decentralized organizations – Voting.**

For purposes of §§ 48-250-112 and 48-250-113, and unless otherwise provided for in the articles of organization, smart contract, or operating agreement:

- (1) Membership interests in a member-managed decentralized organization are calculated by dividing a member's contribution of digital assets to the organization divided by the total amount of digital assets contributed to the organization at the time of a vote;
- (2) If members do not contribute digital assets to an organization as a prerequisite to becoming a member, each member possesses one (1) membership interest and is entitled to one (1) vote; and
- (3) A quorum requires no less than a majority of membership interests entitled to vote.

**48-250-111. Right to information.**

A member does not have a right under this chapter to separately inspect or copy records of a decentralized organization, and the organization does not have an obligation to furnish information concerning the organization's activities, financial

condition, or other circumstances to the extent the information is available on publicly available distributed ledger technology.

**48-250-112. Disassociation of members.**

(a) A member may only disassociate from a decentralized organization in accordance with the terms set forth in the articles of organization, the smart contracts, or, if applicable, the operating agreement.

(b) A member of a decentralized organization is not able to have the organization dissolved for a failure to return the member's contribution to capital.

(c) Unless the organization's articles of organization, smart contracts, or operating agreement provide otherwise, a disassociated member forfeits all membership interests in the decentralized organization, including governance or economic rights.

**48-250-113. Dissolution.**

(a) A decentralized organization is dissolved upon the occurrence of the following:

(1) The period fixed for the duration of the organization expires;

(2) By vote of the majority of the members of a member-managed decentralized organization;

(3) At the time or upon the occurrence of events specified in the underlying smart contracts, or articles of organization, or operating agreement;

(4) The decentralized organization failed to approve proposals or take actions for a period of one (1) year; or

(5) By order of the secretary of state, if the decentralized organization is deemed to no longer perform a lawful purpose.

(b) As soon as possible following the occurrence of an event specified in subsection (a), the organization must execute a statement of intent to dissolve in the form prescribed by the secretary of state.

**48-250-114. Miscellaneous.**

(a) The articles of organization and the operating agreement of a decentralized organization are effective as statements of authority.

(b) If the articles of organization and operating agreement conflict, then the articles of organization control.

(c) If the articles of organization and smart contract conflict, then the smart contract controls, except for provisions that comply with §§ 48-250-104 and 48-250-105(a) and (b).

**48-250-115. Foreign decentralized organization.**

The secretary of state shall not issue a certificate of authority for a decentralized organization based outside of the United States or its territories.

SECTION 2. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.